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YALE SCHOOL OF LAW ALUMNI ASSOCIATION

Through the earnest efforts of some very loyal alumni of the Law School, a movement has been started which should be of the greatest benefit to Yale and to the School. The formation of a Yale School of Law Alumni Association at the Yale Club in New York early in December has been closely followed by a campaign for membership among not only graduates of the School, but also all Yale men in law, and the response during the first month has been most encouraging.

The JOURNAL has some selfish interest in the campaign, for membership in the association will carry with it a year's subscription, and a portion of the annual dues will therefore come to our treasury. We have been running at a deficit, and it is only by an increase in the circulation that we can hope to support ourselves without aid from the University.

But it is on behalf of the School, and because of the benefits to it,

rather than on account of our own interest, that we enlist our hearty good wishes and earnest coöperation in this cause. We believe, and must express our belief, that our School offers as fine a legal education as any in the country. When the other great schools are crowded to capacity, we think it most proper that the opportunity at Yale should be better known, particularly to Yale men. We therefore urge the support of this association by all Yale men in law. Particularly do we urge upon the students in the School a realization of their obligation to their legal alma mater; we ask their coöperation so far as in them lies at the present time, and not less when they leave the School for the bar.

PROFIT ON INVESTMENTS AS TAXABLE INCOME

An income tax question of no less importance than that involved in the stock dividend case¹ has recently been decided by Judge Thomas of the District Court of the United States for the District of Connecticut, and will shortly be passed upon by the Supreme Court. *Brewster v. Walsh, Collector* (Dec. 16, 1920) U. S. D. C., D. Conn., No. 2133.² The problem presented is whether appreciation in value of an investment, realized by sale, is income of the individual investor in such sense as to be subject to federal taxation. That the federal government has been collecting such taxes is known to all; but economists as well as lawyers have not been agreed as to the validity of them, and a judicial expression of opinion on the point has been eagerly awaited. Judge Thomas' decision that such profits are not taxable has consequently aroused much comment both in financial journals and in the daily press.

The facts of the case can be stated briefly. Prior to the effective date of the Sixteenth Amendment,³ Mr. Brewster, who was not a trader in securities, had purchased for investment certain bonds. He sold these bonds in 1916, part of them at exactly their cost price, others

¹ *Eisner v. Macomber* (1920) 252 U. S. 189, 40 Sup. Ct. 189; see articles in (1920) 29 YALE LAW JOURNAL, 735; (1920) 33 HARV. L. REV. 885; (1920) 20 COL. L. REV. 536; (1920) 14 AM. POL. SCI. REV. 635; (1920) 5 BULL. NAT. TAX ASSN. 201, 208, 247.

² The case is to be taken to the United States Supreme Court. The day after Judge Thomas' decision, a judgment for the government was rendered on demurrer by Judge Hand in a case involving the same point. *Goodrich v. Edwards* (Dec. 17, 1920, U. S. D. C. S. D. N. Y.) This case has also been appealed. The question of the taxability of capital increment realized by sale by a trustee who held securities for life-tenant and remainderman was argued before the Supreme Court on Jan. 11, 1921, in *Merchants' Loan & Trust Co. v. Smietanka*, Oct. Term, 1920, No. 608.

³ March 1, 1913. The text of the Sixteenth Amendment reads: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration."